

§ 954.304

housing if this property and the housing are owned by the same entity (e.g., the housing is owned—at least until sold to homebuyers—by the grantee and the housing and the improvements are located on a reservation). If the site improvements will benefit other housing (existing or future) in addition to housing assisted with the particular Indian HOME grant, only a pro-rated share of the site improvements may be charged against the HOME grant. Site improvements include roads, streets, sidewalks, curbs, gutters, and connections to utilities, such as storm and sanitary sewers, water supply, gas, and electricity, and the pro rata development cost of facilities for water supply and sewerage collection utilities.

(4) For new construction or substantial rehabilitation (an expenditure of \$25,000 or more per home) the cost of funding an initial operating deficit reserve, which is a reserve to meet any shortfall in project income during the period of project rent-up (not to exceed 18 months) and which may only be used to pay operating expenses, reserve for replacement payments, and debt service. Any HOME funds placed in an operating deficit reserve that remain unexpended when the reserve terminates must be returned to the grantee's account and shall be reprogrammed for other activities eligible under this part or returned to HUD promptly.

(b) *Acquisition costs.* Costs of acquiring improved or unimproved real property, including acquisition by homebuyers.

(c) *Related soft costs.* Other reasonable and necessary costs incurred by the owner and associated with the financing, or development (or both) of new construction, rehabilitation or acquisition of housing assisted with HOME funds. These costs include, but are not limited to:

(1) Architectural, engineering or related professional services required to prepare plans, drawings, specifications, or work write-ups;

(2) Costs to process and settle the financing for a project, such as private lender origination fees, credit reports, fees for title evidence, fees for recordation and filing of legal documents, building permits, attorneys' fees, private appraisal fees and fees for an inde-

pendent cost estimate, builder and developer fees;

(3) Costs of a project audit that the grantee may require with respect to the development of a specific project; and

(4) Costs to pay impact fees that are charged to all housing.

(d) *Relocation costs.* Costs of relocation payments and other relocation assistance for permanently and temporarily relocated individuals, families, businesses, private nonprofit organizations, and farm operations where assistance is required under § 954.4 or determined by the grantee to be appropriate under § 954.4.

(e) *Costs related to tenant-based rental assistance.* Eligible costs are the rental assistance and security deposit payments made to provide tenant-based rental assistance for a family.

§ 954.304 Eligible administrative costs.

Eligible administrative costs means reasonable and necessary costs, as described in OMB Circular A-87, (available from the Executive Office of the President, Publication Service, 725 17th Street, N.W., Suite G-2200, Washington, DC 20503; Telephone, (202) 395-7332)) incurred by the grantee and related to the planning and execution of HOME activities assisted in whole or in part with funds provided under this part. The grantee may use up to 15 percent of the HOME funds for the payment of eligible administrative costs.

§ 954.305 Tenant-based rental assistance.

(a) *General.* A grantee may use HOME funds for tenant-based rental assistance only if the grantee selects families in accordance with written tenant selection policies and criteria that are consistent with the purpose of providing housing to very low- and low-income families and are reasonably related to preference rules established under section 6(c)(4)(A) of the U.S. Housing Act of 1937 (42 U.S.C. 1437d). The grantee may select eligible families currently residing in units that are designated for rehabilitation or acquisition under the grantee's HOME program without requiring that the family meet the written tenant selection policies and written criteria. Families so